

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 7068

BILL NUMBER: HB 1725

NOTE PREPARED: Jan 26, 2007

BILL AMENDED:

SUBJECT: Legislator Pension Benefits.

FIRST AUTHOR: Rep. Robertson

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: X **GENERAL**
DEDICATED
FEDERAL

IMPACT: State

Summary of Legislation: This bill closes the Legislators' Retirement System to a member of the General Assembly who is elected or appointed after November 3, 2008. It eliminates employee and employer contributions to the Legislators' Defined Contribution Plan after June 30, 2007.

The bill requires a member of the General Assembly who serves after November 3, 2008, to become a member of the Public Employees' Retirement Fund (PERF).

Effective Date: July 1, 2007.

Explanation of State Expenditures: *Summary:* The bill will result in reduced annual contributions to the Legislators' Defined Contribution Plan and increased contributions to PERF. The net change in annual state contributions is estimated to be a cost savings to the state of about \$645,000. The fund affected is the state General Fund.

Background: Since the employer contribution to the Legislators' Defined Contribution Plan is 20% of legislators' W-2 earnings, estimated to be about \$5.4 M, there is an estimated cost savings to the state as a result of the elimination of this employer contribution of approximately \$1.08 M (20% of \$5.4 M).

The fiscal impact of legislators serving after November 3, 2008, becoming members of PERF is as follows:

Increase in Unfunded Accrued Liability	None
Increase in Annual Funding	\$435,000
Decrease in Funded Status	Immaterial

The net change in annual state contributions is estimated to be a cost savings to the state of about \$645,000 (\$1,080,000 minus \$435,000). The fund affected is the state General Fund.

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Public Employees' Retirement Fund; Legislators' Retirement System.

Local Agencies Affected:

Information Sources: Doug Todd of McCready & Keane, Inc., actuaries for PERF and the Legislators' Retirement System, 317-576-1508.

Fiscal Analyst: James Sperlik, 317-232-9866.

DEFINITIONS

Funded Status -The ratio of the assets of a pension plan to its liabilities.

Funding –A systematic program under which assets are set aside in amounts and at times approximately coincident with the accruing of benefit rights under a retirement system.

Unfunded Actuarial Liability -The actuarial liability, sometimes called the unfunded liability, of a retirement system at any time is the excess of its actuarial liability at that time over the value of its cash and investments.